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THE BIMETALLIC RATIO.

A LETTER FROM

M. HENRI CERNUSCHI

TO THE LONDON "TIMES."

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THE BIMETALLIC RATIO.

TO THE EDITOR OF "THE TIMES."

SIR,—By an accident which I regret, your challenge to bimetallists escaped my attention until to-day.

Speaking of the Mansion-house Conference, you said :—

More confidence might, perhaps, be felt in the maintenance of a ratio by agreement if bimetallists would deign to tell us what ratio they would fix if they had their way. . . . But it is at this point that the courage of bimetallists fails them. One and all they shrink from giving the smallest indication of what they think the ratio ought to be.

I beg your leave to reply.

Either it will be stipulated that silver is to be universal money and that gold is to be money in Europe and the United States at the ratio of 1 to $15\frac{1}{2}$ of silver, or nothing will be stipulated.

Why ?

Because if, for the $15\frac{1}{2}$ ratio, a ratio more favourable to gold were substituted, France would either have to melt down her gold francs in order

to create lighter ones, or to melt down her silver francs in order to create heavier ones. I am about to demonstrate that France cannot and should not engage to melt down either her gold francs or her silver francs.

Two hundred silver francs (9-10 fine) weigh one kilogramme (40 pieces of 5 francs). Three thousand one hundred gold francs (9-10 fine) also weigh one kilogramme (155 pieces of 20 francs). These 200 francs in silver and these 3,100 francs in gold exhibit the old 1 to $15\frac{1}{2}$ ratio, constituted by free bimetallic coinage prior to 1873.

Suppose that, according to what is proposed in several quarters, France agreed to adopt, as international ratio between silver and gold, the 1 to 25 ratio in lieu of her old 1 to $15\frac{1}{2}$ ratio.

If France were to set about this change by creating gold francs of less weight than the present franc she would have to cut up the kilogramme of gold no longer into 155 pieces but into 250 pieces, each to be current as 20 francs, although lighter. There would then be 5,000 gold francs confronting 200 silver francs ; for 5,000 is to 200 as 25 to 1. He who now possesses 3,100 gold francs would find himself possessing 5,000. He would melt down the 155 pieces and would present his ingot to the Mint, which would give it back to him cut up into 250 pieces of 20 francs each (5,000 francs). He would so gain 1,900 francs, or 62 per cent. This is absurd, ridiculous, inadmissible.

But if, to realise the ratio of 1 to 25, France, instead of altering the gold francs, called in the silver francs and created heavier ones, what would happen? The kilogramme of silver would have to be cut up, no longer into 200 francs, but only into 124 francs; for 3,100 francs gold are to 124 francs silver as 25 to 1. A loss of 76 francs, or 38 per cent. This loss would have to be borne, not by the holders, but by the Government. In exchange for every milliard of francs withdrawn from circulation the French Treasury would have to deliver a fresh milliard in silver pieces at the increased weight of 38 per cent., or else in gold francs. A loss of 380 millions of francs on every milliard.

It is true that the 5 franc pieces, since 1873, have been metallic assignats, just like all the silver pieces existing in Europe and in the United States, and just like rupees since the free coining of silver was prohibited in India. But the gold francs are so plentiful that they are not at a premium on the silver francs. If England declines bimetallism at 15½, France will have to keep to the *status quo*. She will wait.

The disappearance of the French bimetallic par in 1873 has had two consequences—(1) frequent and violent fluctuations in the rate of exchange between the countries coining only gold, on the one hand, and on the other hand the silver monometallic countries; (2) a heavy fall in that rate of exchange.

Fluctuations in the rate of exchange would cease of course if any ratio (10, 15, 20, 25) were fixed by the great metallic Powers. But the incommensurable evil which the heavy fall in that exchange has caused and is causing cannot cease except by the revival of the $15\frac{1}{2}$ ratio. If the ratio 1 to 25 were established by an international convention it would only confirm that evil, consecrating and maintaining it for ever. The Indian Treasury, which has already in 20 years expended a thousand million rupees, taken from Indian taxpayers, to meet the losses on the exchange between the rupee and the sovereign since the fall of the rupee below 2s. in 1873, would find itself doomed every year to obtain by taxes or loans about 120 millions of rupees, if, instead of the $15\frac{1}{2}$ ratio, 1 to 25 were internationally adopted as the new ratio. The losses inflicted by the fall in exchange upon agriculture, commerce, and upon many industries in Europe, but especially in Great Britain, as well as the losses inflicted upon the finances of the silver monometallic States, and upon the creditors of those States, would become chronic, perpetual.

The $15\frac{1}{2}$ ratio was proposed jointly by the Governments of the United States and of France at the Monetary Conference held at Paris in 1881. That ratio cannot but suit Germany, for the thaler, which is full legal tender for three marks, is in the $15\frac{1}{2}$ ratio of weight to three gold marks. The Dutch silver florin weighs almost exactly $15\frac{1}{2}$ gold florins. The silver rouble weighs $15\frac{1}{2}$ gold roubles.

The silver peseta weighs $15\frac{1}{2}$ gold pesetas. Thus the $15\frac{1}{2}$ ratio suits also Holland, Russia, and Spain.

The position of silver in Austria is peculiar. The Austrian florin is too heavy in relation to the newly-coined gold crown. If $15\frac{1}{2}$ became the international ratio Austria would have to convert her florins into silver crowns, weighing $15\frac{1}{2}$ gold crowns. The holders of florins would realise a bonus, but other countries would have nothing to complain of, especially as most of these florins were coined at the time when silver was everywhere $15\frac{1}{2}$ compared to gold.

What about the United States ?

The silver dollar weighs $412\frac{1}{2}$ grains—that is to say, 16 gold dollars. It is too heavy. It would have to be replaced by a new dollar weighing $15\frac{1}{2}$ gold dollars—that is to say, 400 grains. This process would afford a profit of nearly three cents per dollar to holders of the silver dollars or of their representative silver certificates. Moreover, the Federal Government, without any expense, would become owner of the balance remaining (the so-called seigniorage) of the silver bought at a low price from July 1890 to November 1893. But these profits would not injure Europe ; they have been, so to speak, disbursed in advance by the mineowners who have sold their metal to the Government.

As for England, while retaining her gold sovereign and her subsidiary silver coins, she would only have to reopen the Indian mints to

the free coinage of rupees and to open the London mint to the free coinage of a 4s. piece containing 350 grains of pure silver, in order to constitute the $15\frac{1}{2}$ ratio of silver with the gold pound.

Were any other Power to propose an international ratio more favourable to gold, that proposal should be resisted and defeated by England as most injurious to the interests of the British Empire.

HENRI CERNUSCHI.

May 28.

